

Message Text

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ACTION EA-09

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TAGS: EMIN, RP, US

SUBJECT: US/PHILIPPINE TRADE NEGOTIATIONS

REF: STATE 238328

1. COMATT CALLED SEPTEMBER 29 ON AMBASSADOR PABLO SUAREZ, DFA ASSISTANT SECRETARY FOR ECONOMIC AFFAIRS, TO DISCUSS VEGA'S PROPOSAL QUOTE TO HOLD NEGOTIATING SESSIONS ON US/RP TRADE AGREEMENTS UNQUOTE IN MANILA. SUAREZ STATED VEGA HAD SOME TIME AGO MADE SUCH A SUGGESTION TO DFA BUT THERE WAS NO GOP DECISION TO RESUME ECONOMIC NEGOTIATIONS. INDEED ABOUT A MONTH AGO PRESIDENT MARCOS INDICATED IN A MEETING WITH SENIOR ECONOMIC OFFICIALS THAT HE WAS STILL UNDECIDED ABOUT RESUMING ECONOMIC NEGOTIATIONS WITH THE U.S.

2. SUAREZ STATED THAT VEGA NOW IS IN KUALA LUMPUR FOR AN ASEAN SENIOR TRADE OFFICIALS MEETING. AS SOON AS VEGA RETURNS TO MANILA, SUAREZ WILL PASS ON TO VEGA THE
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READINESS OF LANDE AND OTHER OFFICIALS TO MEET WITH HIM IN WASHINGTON.

3. REGARDING THE U.S. POSITION ON "NON-DISCRIMINATION" OF FOREIGN PRIVATE INVESTMENT, SUAREZ SAID THAT THE GOP HAD MADE IT PRETTY CLEAR THAT THE PHILIPPINES WAS COMMITTED TO THE PRINCIPLE OF MFN IN ITS INVESTMENT AGREEMENTS WITH OTHER COUNTRIES. IT WAS NOT A MATTER OF FORMULATION; IT WAS A MATTER OF PRINCIPLE. TO MEET THE US DESIDERATA, THE PHILIPPINES WOULD HAVE TO COMPROMISE THAT PRINCIPLE AND FACE THE PROBLEM OF RECONCILING THAT COMPROMISE WITH THE MFN TREATMENT ACCORDED TO THIRD COUNTRIES. SUAREZ SAID HE WAS NOT ABLE TO SAY WHETHER THE GOP WOULD REACH THAT STAGE, BUT INDICATED THAT THE GOP HAD NOT CLOSED ITS MIND ON THE SUBJECT.

4. COMATT POINTED OUT THAT THE WAIVER OF THE GSP COMPETITIVE NEED LIMITATION IS CONTINGENT UPON CONCLUSION OF AN ECONOMIC TREATY, WHICH HAS BEEN INTERPRETED TO INCLUDE ASSURANCES REGARDING THE TREATMENT OF U.S. INVESTMENTS. SUAREZ REPLIED THAT HE WAS NOW AWARE OF THE US POSITION, BUT THE GOP HAD BEEN PREPARED EARLIER TO OFFER ONLY TRADE CONCESSIONS FOR THE GSP WAIVER. HE QUESTIONED THE NEED FOR THE US "NON-DISCRIMINATION" PROVISION, POINTING OUT THAT AMCHAM IS SATISFIED WITH MFN TREATMENT. COMATT AGREED THAT MANY U.S. INVESTORS WERE SATISFIED, BUT THERE WERE OTHERS WHO WERE NOT AND INDEED CASES OF OUTRIGHT DISCRIMINATION SUCH AS THE FILTRONA CASE.

5. COMMENT. WE DO NOT BELIEVE THAT THE GOP IS PREPARED TO RESUME ECONOMIC NEGOTIATIONS AT THIS TIME, AND WHILE IT APPEARS SET ON A HARD LINE ON THE INVESTMENT ISSUE, THE POSSIBILITIES OF FLEXIBILITY WOULD LIE IN ITS PERCEPTION OF THE VALUE OF THE GSP WAIVER. IF THESE SHOULD COME CLOSE TO CONVERGING, PARTICULARLY IF THE TRADE PICTURE DOES NOT IMPROVE DRAMATICALLY, THE GOP MAY OPEN ITS MIND AS SUAREZ SEEMS TO INDICATE. IN THESE CIRCUMSTANCES, FURTHER EXPLORATIONS WITH VEGA IN WASHINGTON WOULD SEEM USEFUL, AND WE PLAN TO TELL VEGA PERSONALLY

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THAT LANDE AND OTHER OFFICIALS WELCOME HIS STOPPVER IN WASHINGTON. END COMMENT.

SULLIVAN

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